

KWADUKUZA MUNICIPALITY
EXTRACT OF MINUTES
OF THE COUNCIL VIRTUAL MEETING HELD
ON TUESDAY 23 JUNE 2020

ATTENDANCE

PRESENT	LEAVE OF ABSENCE	ABSENT/ APOLOGY	ON OFFICIAL COUNCIL BUSINESS
COUNCILLORS: RPZ Zulu, G Govender, DW Ndimande, OL Nhaca, NR Khumalo, JA Vallan, JS Phahla, TV Ntuli, ME Ngidi, GJ Van Whye, GZ Mngomezulu, NJ Mpanza, H Mbatha, SW Ntuli, M Suleman, NP Dube, CD Mthembu, VV Shezi, IT Nxumalo, M Ndlela, NR Shezi, TS Ngidi, PB Mabaso, BI Dindi, EB Majola, SL Cele, N Qwabe, MS Singh, TP Du Toit, P Naidoo, MSC Motala, AM Baardman, AK Dawood, LI Mthembu, CM Ntleko, MM Madlala, B Mvulana, LR Makhathini, S Naidoo, T Colley, AL Sahadew, and N Zulu	M Naidoo (23/06/2020) R Singh (23/06/2020) N Dasrath (23/06/2020) DH Mthembu (23/06/2020)	None	None
OFFICIALS: M Manzini, SM Rajcoomar, SW Kubheka, SV Hlongwane, SM Khanyile, EM Sithole, SC Viramuthu, NM Ngubane, Z Ngubane, M Pitso, G Zikhali and ZP Mgobhozi (Secretariat)			
TRADITIONAL LEADERS: Inkosi MB Cele, Inkosi V Mathonsi and Inkosi AM Zulu			

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COUNCIL: 23/06/2020

APPROVAL OF THE BUDGET– 2020/2021 MTREF

The KwaDukuza Council Meeting held on 23 June 2020 considered the above matter. Following discussions, it was

UNANIMOUSLY RESOLVED

1. ESTIMATES OF INCOME & EXPENDITURE (To be tabled)

THAT in terms of Section 16(1) and (2) of the Municipal Finance Management Act, 56 of 2003:-

- (i) The Annual Budget of the Municipality for the Financial year 2020/2021; and Indicative allocations for the two projected outer years 2021/2022 and 2022/2023; and the multi – year and single year capital appropriations are approved as set-out in **Sections 1.4, 2.11 and 2.13.**

Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) – **(Table A2)**

Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) – **(Table A3)**

Budgeted Financial Performance (revenue by Source and Expenditure by Type) – **(Table A4)**

Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source (**Table A5**).

- (ii) That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:

Budgeted Financial Position **(Table A6)**

Budgeted Cash Flows **(Table A7)**

Asset Management **(Table A9)**

Basic Service Delivery Measurements **(Table A10)**

2. DETERMINATION OF RATES

In terms of the Final Rates Policy 2020/21, the Municipality may levy different rates for different categories of properties. The rating structure for 2020/21 financial year is proposed as follows:

- 0.824 cents in the Rand on the market value in respect of residential properties (including bed and breakfast establishments consisting of three bedrooms or less), and property categories not stated hereunder.
- 0.9033 cents in the Rand on the market value in respect of residential properties used for commercial purposes (including bed and breakfast establishments comprising more than 3 bedrooms, apartment and villa establishments, and guesthouses of up to six rooms).
- 0.207 cents in the Rand on the market value in respect of agricultural properties and public service infrastructure properties.
- 2.549 cents in the Rand on the market value in respect of industrial, business and commercial properties, vacant properties, public benefit organisations, properties owned by an organ of state and used for public service purposes, and properties used for worship.
- 2.307 cents in the Rand on the market value in respect of guesthouses of more than 6 rooms.
- 5 cents in the Rand in respect of the unauthorised or illegal development or use and abandoned property or building.
- An additional 0.36 cents in the Rand on the market value in respect of commercial properties situated within the Special Rating Area as designated by Council
- In respect of improved residential properties, in addition to the statutory reduction of R15 000, a further reduction of R85 000 is approved for property values exceeding R130 000. Persons owning improved residential property with a rateable value of R130 000 and below will be not be liable for the payment of rates.
- That improved residential property with a rateable value of R130 000 and below, owned by registered indigent beneficiaries be exempt from the calculation of rates.
- That the first R50 000 of all vacant residential properties owned by registered indigent beneficiaries be exempt from the calculation of rates
- The first 30% of all Public Service Infrastructure (PSI) properties be exempt from the calculation of rates.

3. Exemptions, rebates and reductions

In terms of qualifying criteria set out in the rates policy of the Council, the 2020/21 rates be subject to the following exemptions, rebates and reductions:

- A general rebate, applicable in the 2020/21 financial year only, in respect of all categories of properties, excluding properties in receipt of developers' rebates and unauthorised or illegal development or use and Abandoned Property Building :
3%

The following shall apply after deduction of the general rebate:

- Pensioners and Disability Grantees rebates:

Applicants under the age of 65 years - 25%
Applicants between 65 and 75 years - 30%
Applicants older than 75 years - 35%

- Agricultural properties: 50%
- Rebate: child headed households: 100%
- Excluded Services Rebate: (applicable only in respect of existing service level agreements) 15%
- Places of worship: 100%
- Public benefit organizations: 100%
- Land reform beneficiaries: 100%
- State land: 100%
- Commercial Developers incentives:

100% rebate	-	Year 1
90% rebate	-	Year 2
80% rebate	-	Year 3
70% rebate	-	Year 4
60% rebate	-	Year 5
No Incentive	-	From year 6 onwards

Please note general rebate not applicable to commercial developers.

Residential Developers incentives, applicable only in respect of existing service level agreements:

100% rebate	-	Year 1
100% rebate	-	Year 2
90% rebate	-	Year 3
80% rebate	-	Year 4
70% rebate	-	Year 5
60% rebate	-	Year 6
50% rebate	-	Year 7
No Incentive	-	From year 8 onwards

Please note general rebate not applicable.

- 100% rebate in respect of the following PSI properties (phasing out of rates):

- national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer; and
- Railway lines forming part of a national railway system.

4. Date of operation of determination of rates

That this determination comes into operation on 01 July 2020.

1. Final date for payment of rates:

- **Annual payment of rates:** That the final date for the payment of annual rates be fixed at 30 September 2020. Interest and administration charges will be raised in terms of Council's Credit Control & Debt Collection Policy and Tariff of Charges. Any capital rates outstanding as at 30 November 2020 will be subject to an administration charge of 10% as stipulated in Council's Credit Control Policy and Tariff of Charges.
- **Monthly rates payments:** That rates may be paid in 11 (eleven) equal instalments with the first instalment payable on or before the last municipal working day of August 2020. Thereafter each monthly instalment must be paid on or before the last working day of each month and provided that interest will accrue at 10% per annum in terms of Council's Credit Control & Debt Collection Policy and Tariff of Charges if an instalment is not paid by the last working day of the month. Any capital rates outstanding as at 30 June 2021 will be subject to an administration charge of 10% as stipulated in Council's Credit Control & Debt Collection Policy and Tariff of Charges.
- Council will by special arrangement with individual property owners agree that rates be paid annually. Application to pay rates on an annual basis must be completed by 15 July 2020.

Tariff of charges

- That the Council approve and adopt the amendments to its Tariff of Charges (noting that the electricity tariffs are pending approval by NERSA) as depicted on the schedules annexed hereto, and that these tariffs come into operation on 1 July 2020.
- That Council note that all tariffs listed in the Tariff of Charges will be subject to the payment of value added tax, except for fines, refundable deposits, and interest charges, and where specifically indicated as inclusive of value added tax.

6. Tariff of charges

- That the Council approve for the amendments to its Tariff of Charges (**noting that the electricity tariffs are pending approval by NERSA**) as depicted on the schedules annexed hereto, and that these tariffs come into operation on 1 July 2020.
- That Council note that all tariffs listed in the Tariff of Charges will be subject to the payment of value added tax, except for fines, refundable deposits, and interest charges, and where specifically indicated as inclusive of value added tax.

7. BUDGET RELATED POLICIES

THAT Council notes for consideration the policies with effect from 01 July 2020, the following Budget Related Policies have been tabled as a separate item :

- Rates Policy
- Credit Control & Debt Collection Policy
- Indigent Policy
- Tariff Policy
- Investment & Cash Management Policy
- Borrowing Framework Policy and Guidelines
- Supply Chain Management Policy
- Virement Policy
- Budget Policy
- Funding and Reserves Policy
- Assets Management Policy
- Long Term Financial Planning Policy
- Infrastructure, Investments & Capital Projects
- Supply Chain Management Policy For Infrastructure Procurement And Delivery Management

The effective implementation date of all revised policies is the 1st July 2020.

8. MEASURABLE PERFORMANCE INDICATORS FOR REVENUE

THAT the following measurable performance indicators for revenue collections be set:

- Electricity income minimum collection rate of 90%
- Property rates income minimum collection rate of 90%
- Refuse income minimum collection rate of 90%

9. **THAT** it be noted that property rates are deemed zero rated in the treatment of Value Added Tax (VAT).

10. **THAT** it be noted that in respect of Capital Expenditure Estimates:

In those instances where information has been provided in terms of Section 19(2) (b) of the Municipal Finance Management Act No. 56 of 2003, the approval of the capital budget constitutes project approval for the specific projects as reflected in the detailed capital budget.

Where information in terms of Section 19(2) (b) of the MFMA is not provided, specific project approval is to be sought from Council during the course of the year prior to any spending taking place on these projects during the year. It be noted that should any expenditure be incurred on any of these projects without compliance with Section 19(2) of the MFMA such expenditure may be deemed as irregular or unauthorised.

11. **THAT** any savings on the capital budget is to be retained and not transferred to any other vote.

12. **THAT** for projects which have multiple sources of funding, any savings on the project attributable to the outcome of the competitive bidding processes of the council shall be apportioned in the following order of priority:

- Reduction in council contribution towards the project.
- Reduction of the loan funding portion of the project.

13. **THAT** in terms of the priority in the execution of the capital budget, priority should first be given to all projects that have been rolled over of which are primarily grant funded. Upon completion of all rolled over projects can the Business Units commence with their new projects. The cash flow estimates of the municipality should be noted in this regard.

14. In terms of Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003, it be noted that new projects for the 2020/2021 financial year can only proceed once full business and operating plans indicating efficient, effective and economical use of all assets to be acquired have been tabled and approved before council.

15. **THAT** in pursuance of the above and in terms of section 62(1) (c) read together with section 78 of the Municipal Finance Management Act No. 56 of 2003, the Municipal Manager as well as all Executive Directors are to ensure that they develop and maintain efficient, effective and transparent systems of financial, risk management and internal control in terms of projects within their directorates that have been approved for execution. That is be noted that the respective Executive Director and/or head of the Business Unit is ultimately responsible for budget and financial management of their respective Business Units.
16. **THAT** it be noted that should any roll-overs of grant funding persist into the 2020/2021 financial year , the respective Executive Director ensure the necessary detail motivations are completed for approval by National Treasury ,Provincial Treasury or the relevant transferring officer. This must be done within the timeframes and formats specified by the relevant regulating authority.
In the event that the National/Provincial Treasury does not approve the roll-over of such funds or even a portion of the funds (Section 21 of DORA), then council will have to fund these projects out of internal funding and this will result in the reprioritisation of the approved capital budget for the 2020/2021 to 2022/2023 financial years in order to avoid cash flow and financial problems for the KwaDukuza Municipality. It is further noted that this motivation should be provided to the Finance directorate by 30 June 2020.
17. **The** budget has been compiled subject to various budget assumptions. It is necessary
that assumptions are made in order to effectively estimate the effects of rates and tariff increases as well as key expenditure drivers for the MTREF. As a result of these assumptions listed above, Council has not been in a position to appropriate funds for certain requests. Council further resolves that additional requests from business units will be considered once the portion for KDM is received from the R20 billion funds to assist municipalities announced by the President, through passing an adjustments budget. This will first be prioritised as follows:
1. Grass cutting
 2. Security services
 3. Filing of vacancies
 4. Capital Fleet Renewals
 5. Personal Protective Equipment
18. **THAT** in compliance with relevant sections of the Municipal Finance Management Act, Municipal Property Rates Act and the Municipal Systems Act, the budgets, rate and tariff determinations are published locally.
19. That the Democratic Alliance, Inkatha Freedom Party and the Economic Freedom Fighters did not support the budget.

CFO

CERTIFIED A TRUE EXTRACT OF
ORIGINAL MINUTES


MR NJ MDAKANE
MUNICIPAL MANAGER
DATE: 23/06/2020